

State Retirement Legislation in 2010 and 2011

NCSL LEGISLATIVE SUMMIT
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National Conference of State Legislatures

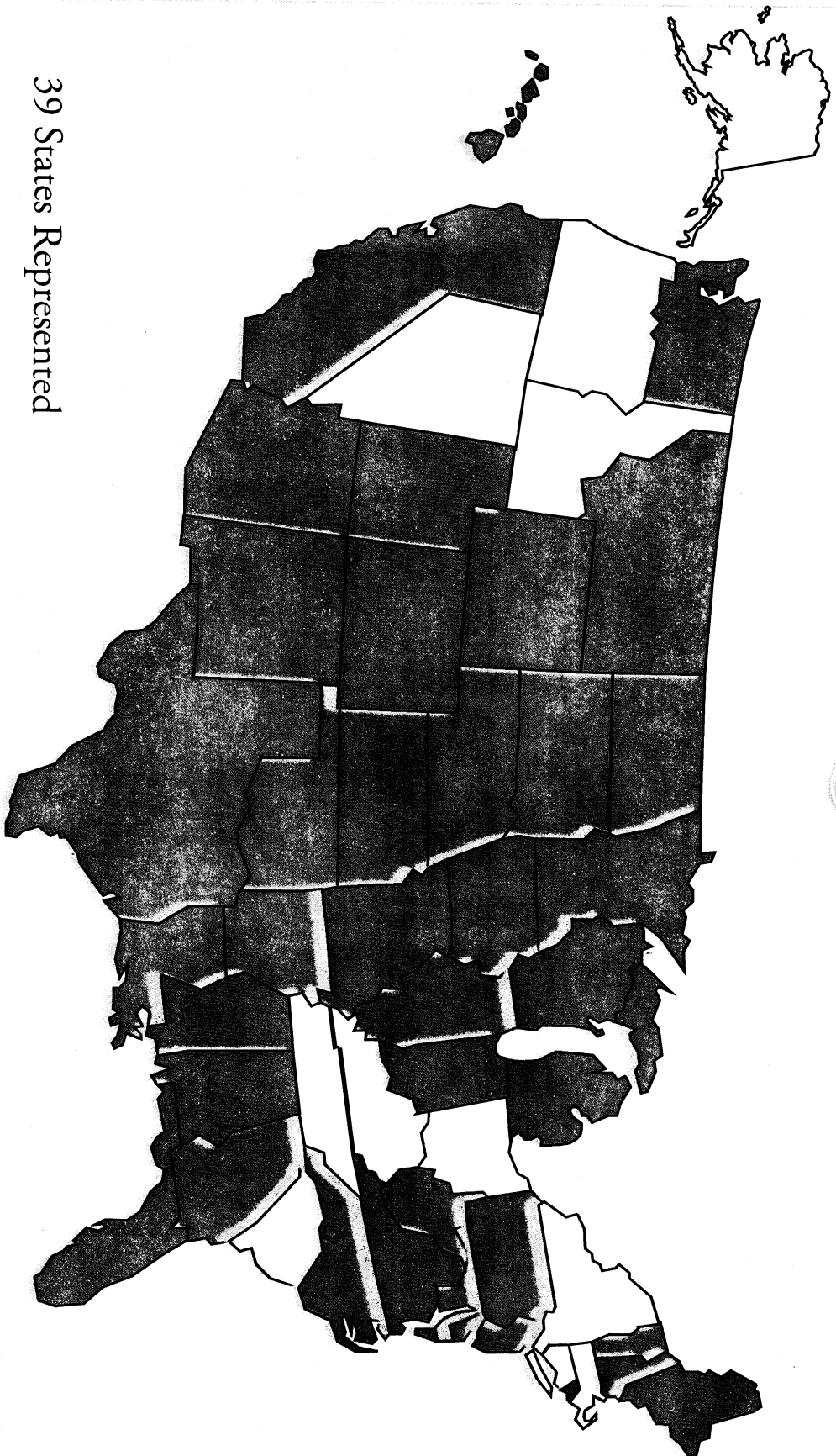
Overview

- In 2011, 26 states enacted significant changes in public pension plans by the end of June.
- In 2010, 21 states enacted changes. Some states acted in both years.

- Causes:

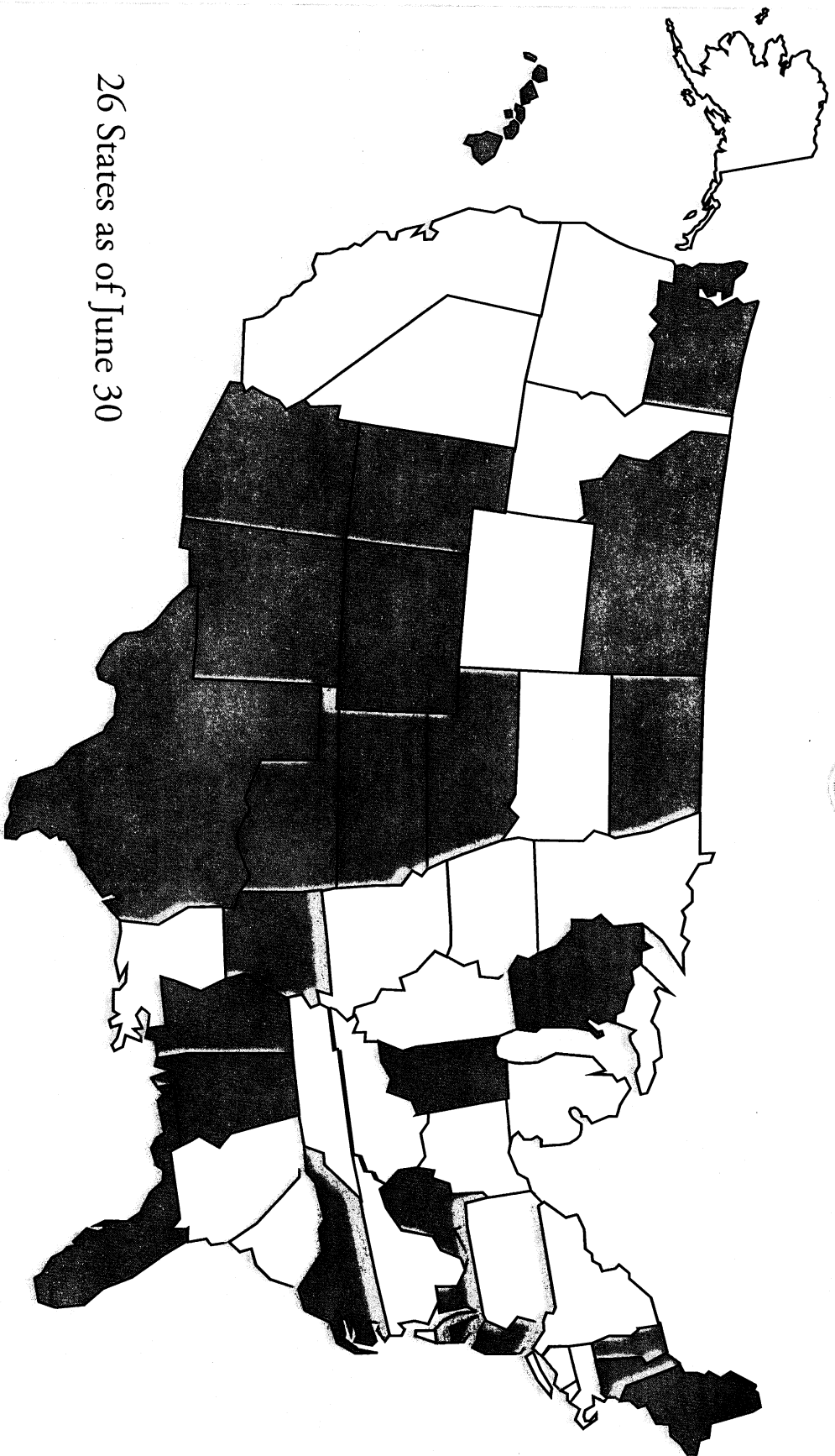
- Concerns about the viability of retirement plan benefits and funding that date to the 2001 recession;
- Severe investment losses in the 2007-2009 recession;
- Demographic change and state fiscal conditions.

All Topics

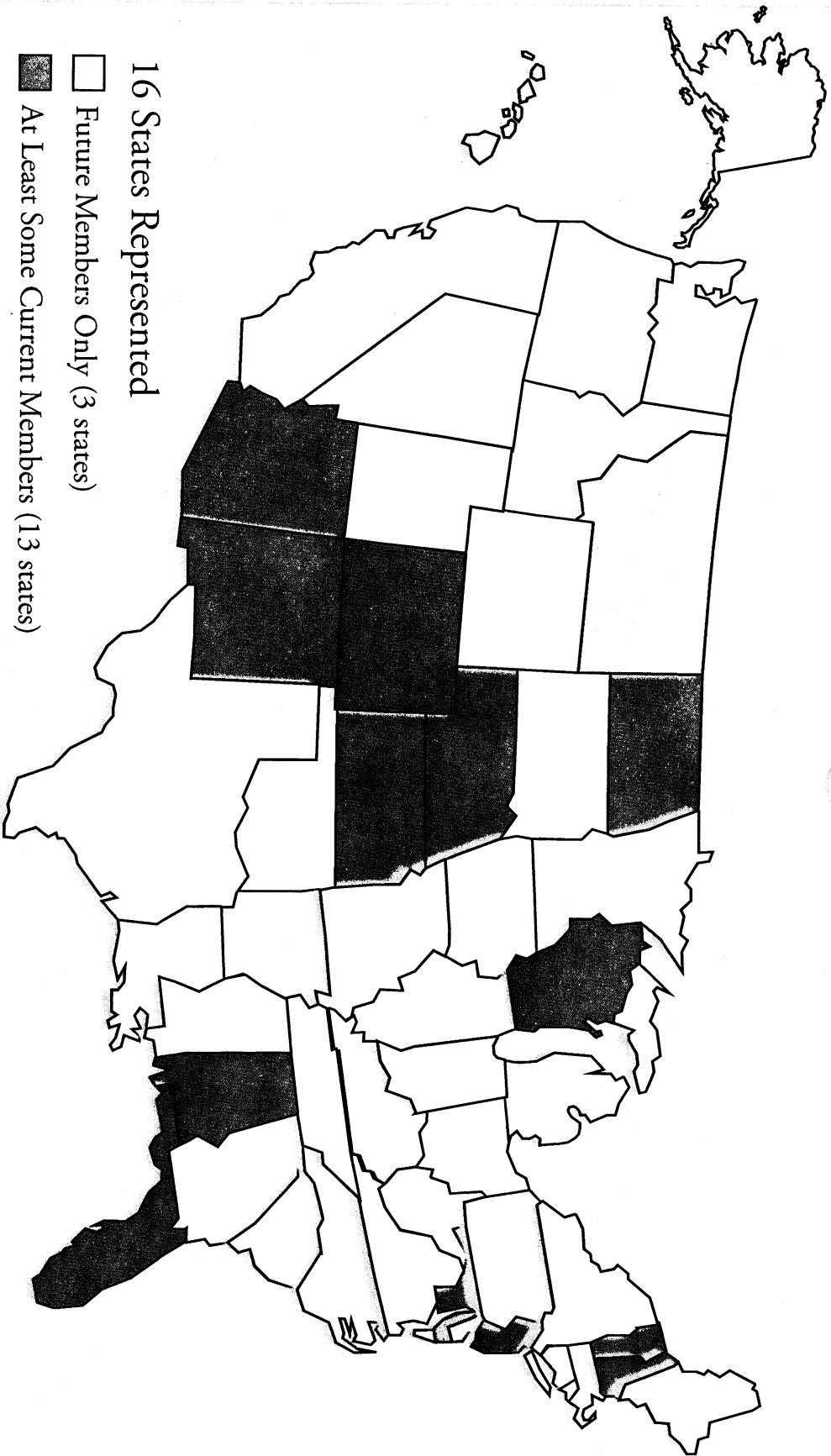


39 States Represented

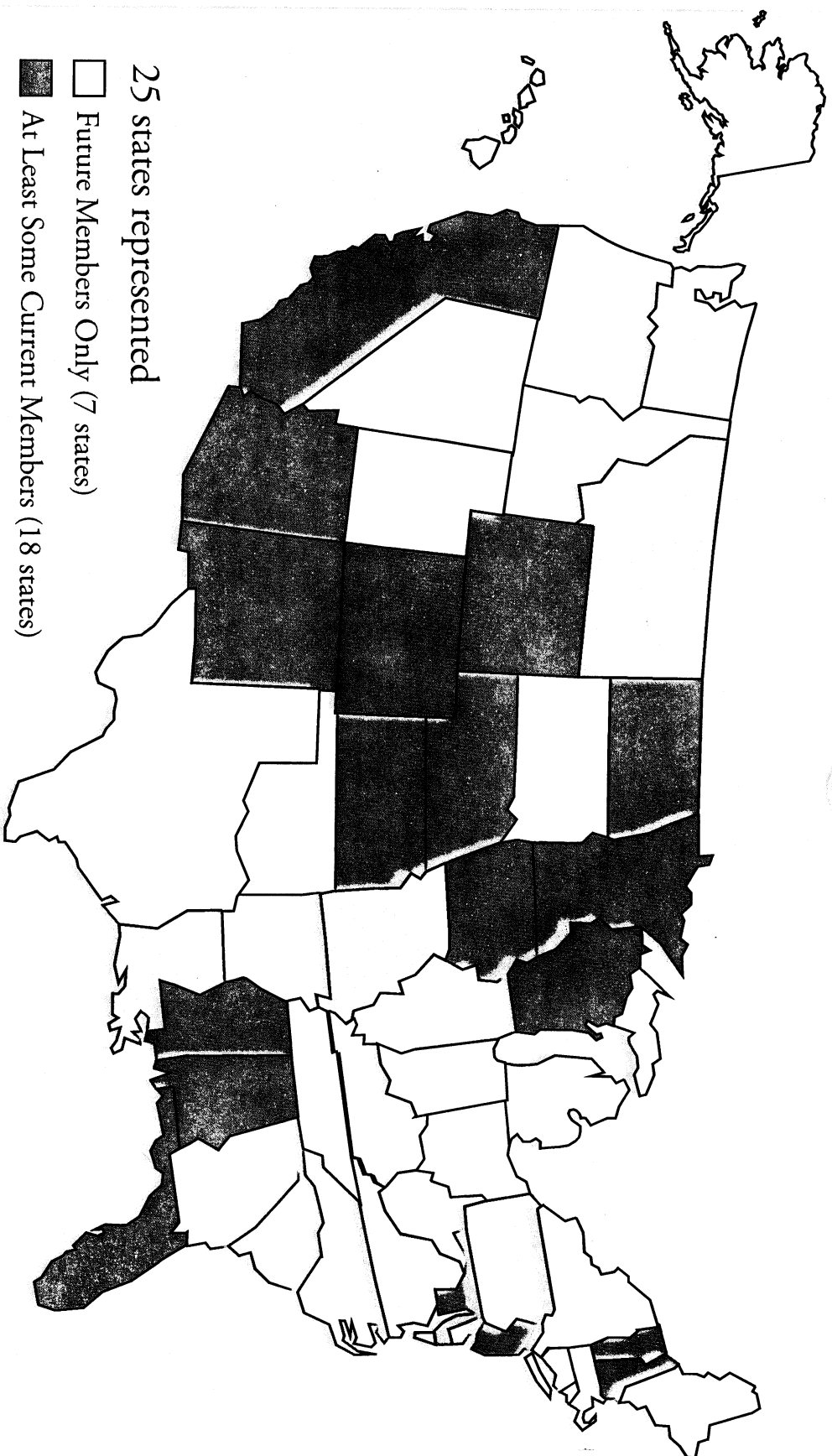
2011 Legislative Session in 2011: A Topos

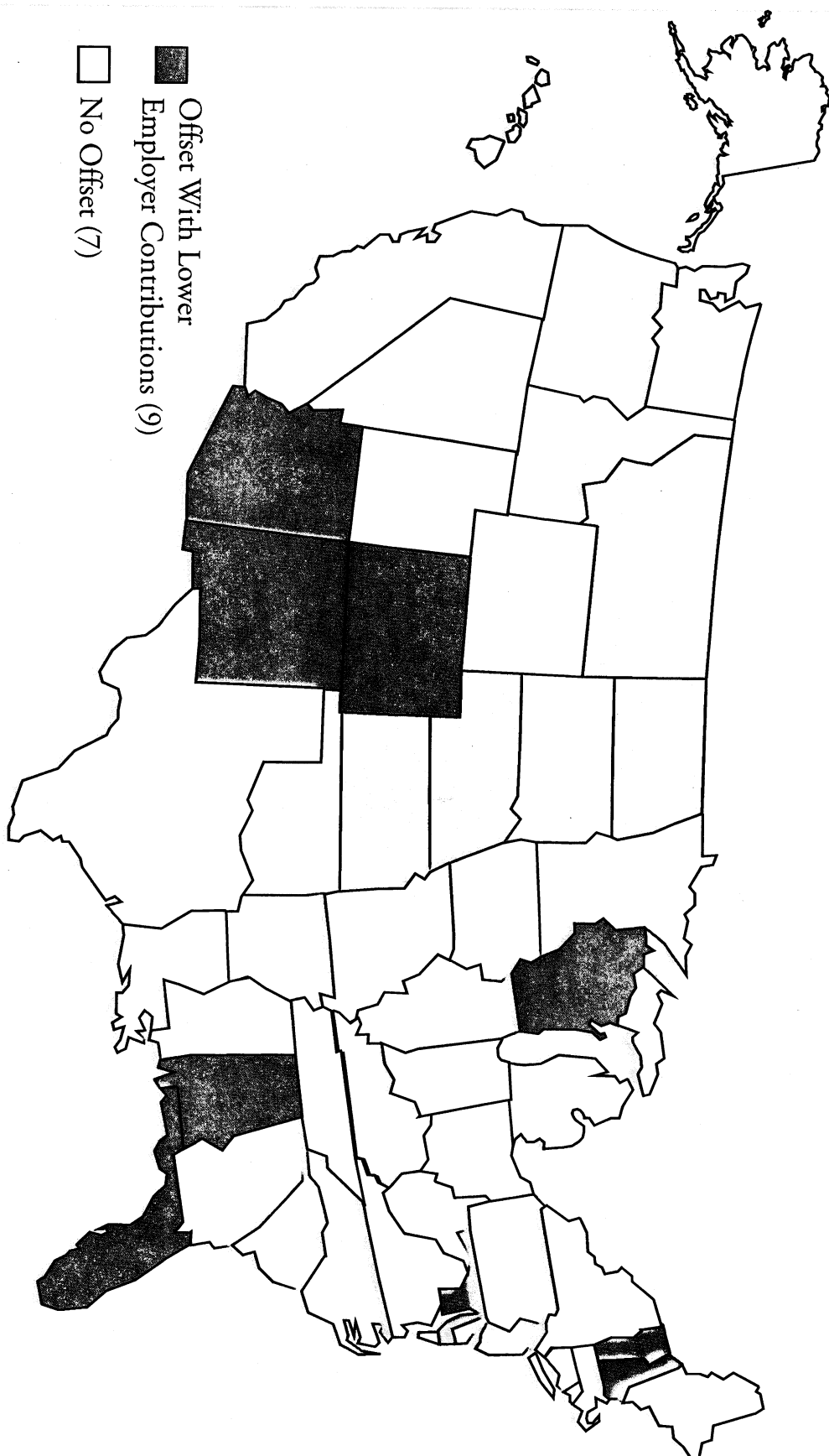


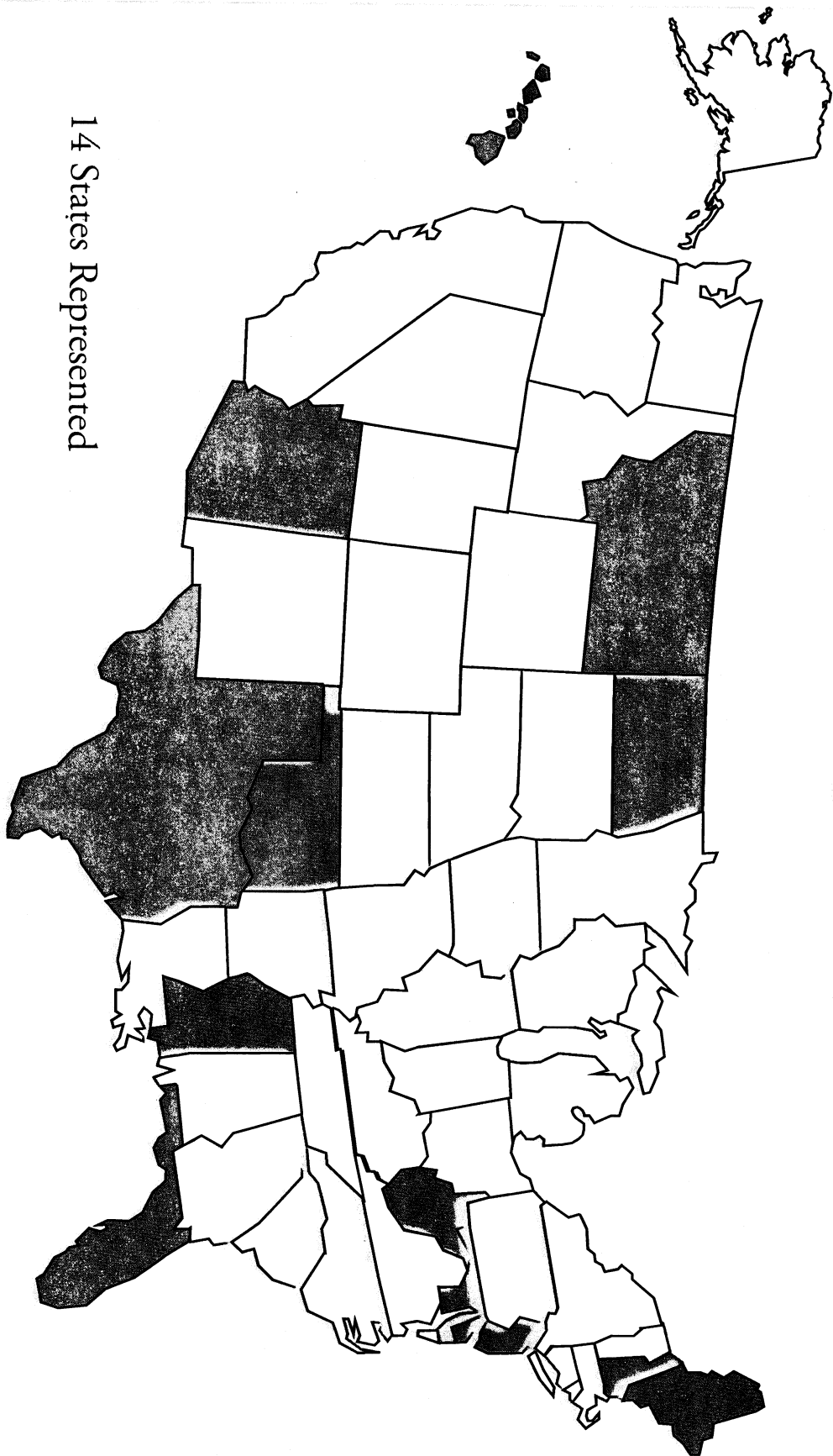
26 States as of June 30



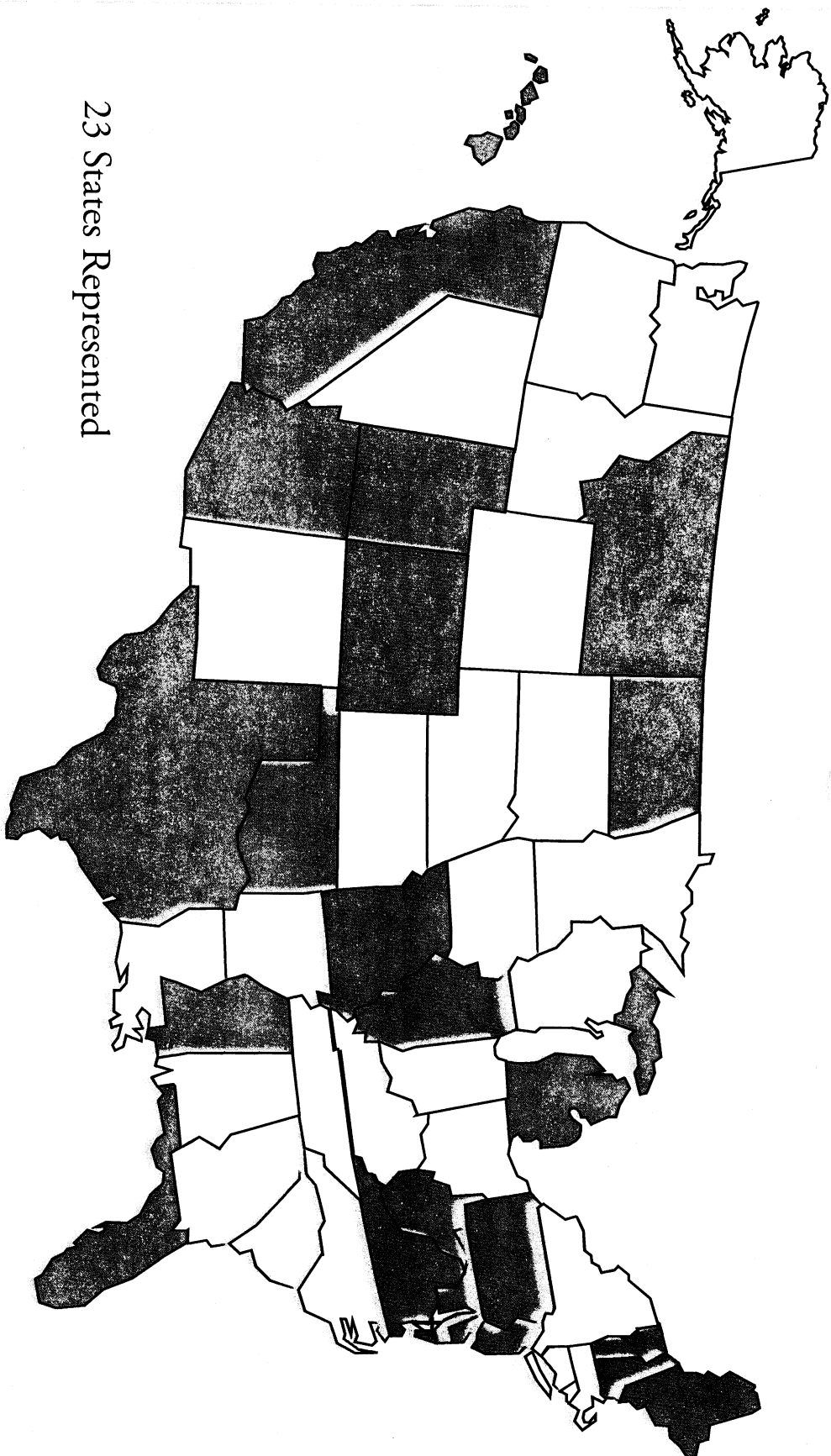
Successes in Employee Contributions, 2010 and 2011





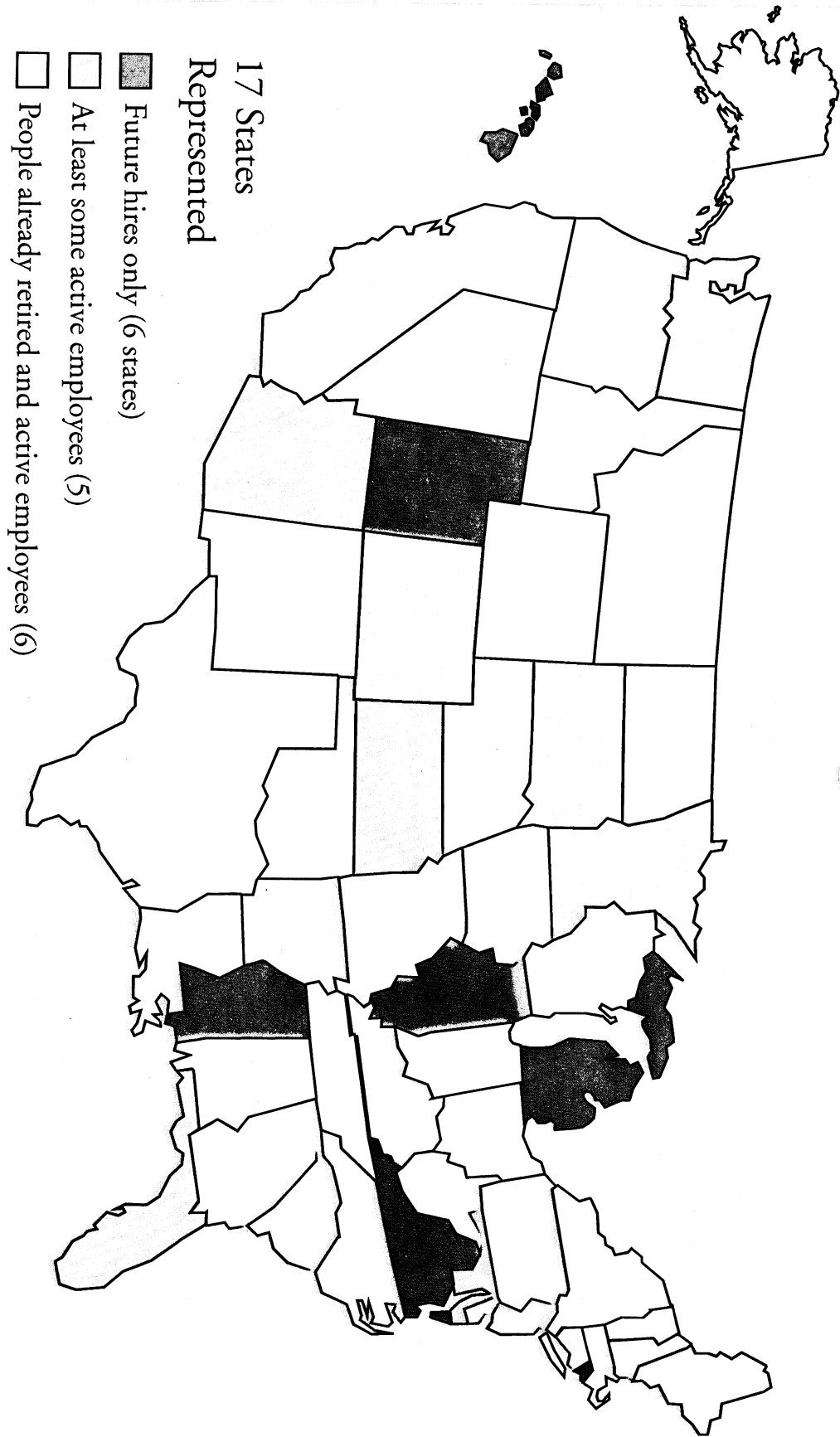


14 States Represented



23 States Represented

Statewide Health Insurance Program
Statewide Health Insurance Program
Statewide Health Insurance Program



- Longer vesting period for new members -- 12 states.
- Longer period for calculating final average compensation (meaning a lower base for a pension in most cases) -- 13 states.
- Reduced benefit for early retirement -- 15 states. For current employees in 4 states.
- Greater restrictions on retirees' return to covered service -- all retirees -- 12 states.

- With two exceptions, states have revised rather than replaced traditional defined benefit pension plans.
- In 2010, Utah closed its DB plan for all state and local employees and is offering new employees a choice of a defined contribution plan and of a combined plan that includes a DB plan and a mandatory 401(k).
- Also in 2010, Michigan replaced its School Employees DB plan with a combined plan.
- Indiana created an alternative DC plan in 2011.

- Costs have been shifted to members through higher contributions, longer service requirements, higher ages for normal retirement, and lower post-retirement benefit adjustments.
- More restrictions on retirement before normal age and on retired people returning to covered service (often called "double-dipping").

- Most states that increased employee contribution requirements in 2011 offset them with lower employer contributions, at least temporarily.
- This is a trend toward equalizing the employer and employee contribution rates.
- Also helps balance to highly-stressed state budgets (and local government budgets in some cases).
- An employee dollar is not worth as much as an employer dollar, and the practices does not leave pension funds harmless.

Resources and Contact Information

- This report is based on NCSL's annual reports on state pensions and retirement legislation.
- The 2010 report, covering legislation enacted through November 15, 2010, is available on the NCSL website at <http://www.ncsl.org/default.aspx?tabid=20836>
- Several 2011 reports are available at <http://www.ncsl.org/Default.aspx?tabid=756&tabs=951.69.140#140>
- For further information:
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